

RESOLUTION AUTHORIZING THE ISSUANCE OF SALES TAX AND WATER AND SEWER UTILITY RESERVE REVENUE BONDS, SERIES 2018B TO FINANCE THE UNDERTAKING OF IMPROVEMENTS TO THE MUNICIPAL WATER AND SEWER UTILITY

BE IT RESOLVED by the City Council of the City of Minot, North Dakota (the “City”) as follows:

Section 1. Authorization and Sale.

1.01. Authority for Bond Issuance. In accordance with the provisions of Article 3 of the Home Rule Charter of the City and Section 2-130 of the City of Minot Code of Ordinances (the “Code”) previously adopted by the City Council, the City is empowered to issue revenue bonds for the expansion and improvement of its municipal water and sewer utility (the “Utility”). The bonds are to be issued in general accordance with the provisions of Chapter 40-35, North Dakota Century Code, but may be additionally secured by a) a reserve created and maintained in accordance with Section 2-130 of the Code and / or b) other funds and revenues of the City, including sales tax collections, which are available for the purpose.

1.02. Additional Bonds. Pursuant to Section 2-130 of the Code, there have been issued and are now outstanding (or in the case of the Series 2018A Bonds and Series 2018C Bonds, expected to be issued and outstanding) (the “Outstanding Bonds”):

<u>Title</u>	<u>Amount Outstanding</u>	<u>Dated Date</u>	<u>Date of Resolution</u>
Water and Sewer Utility Reserve Revenue Bonds, Series 2011B (the “2011B Bonds”)	\$870,000	December 22, 2011	December 5, 2011
Water and Sewer Utility Reserve Revenue Bonds, Series 2012B (the “2012B Bonds”)	\$1,545,000	November 28, 2012	November 5, 2012
Water and Sewer Utility Reserve Revenue Refunding Bonds, Series 2012C (the “2012C Bonds”)	\$1,265,000	November 28, 2012	November 5, 2012
Water and Sewer Utility Reserve Revenue Bonds, Series 2013C (the “2013C Bonds”)	\$4,050,000	November 26, 2013	November 4, 2013

<u>Title</u>	<u>Amount Outstanding</u>	<u>Dated Date</u>	<u>Date of Resolution</u>
Water and Sewer Utility Reserve Revenue Bonds, Series 2014C (the “2014C Bonds”)	\$3,480,000	November 25, 2014	November 3, 2014
Water and Sewer Utility Reserve Revenue Bonds, Series 2015D (the “2015D Bonds”)	\$5,585,000	November 24, 2015	November 2, 2015
Water and Sewer Utility Reserve Revenue Bonds, Series 2016C (the “2016C Bonds”)	\$4,520,000	November 29, 2016	November 7, 2016
Water and Sewer Utility Reserve Revenue Bonds, Series 2018A (the “Series 2018A Bonds”)	\$6,678,000	TBD	May 7, 2018
Sales Tax and Water and Sewer Utility Reserve Revenue Bonds, Series 2018C (the “Series 2018C Bonds”)	\$1,734,000	TBD	May 7, 2018

Pursuant to the applicable bond resolutions authorizing the issuance of the Outstanding Bonds, additional revenue bonds may be issued and made payable, in whole or in part, from the net revenues of the Utility, on a parity with said Outstanding Bonds, if (a) no default exists under the terms of said resolutions, or the terms of any other resolution authorizing the issuance of the bonds payable from the net revenues of the Utility; (b) the resolution authorizing the issuance of such additional bonds contains the covenant as to rates and charges required by Section 2-130 of the Code and provides for the funding of the debt service reserve account required by Section 2-130 of the Code; (c) the City Council reasonably determines that the rates and charges then in effect, or to be in effect prior to the issuance of said additional bonds, together with any other revenues, including sales tax collections, then or theretofore pledged to the payment of such bonds or additional bonds, will produce revenues sufficient to comply with the provisions of Section 2-130 of the Code and the resolution authorizing the issuance of said additional bonds; and (d) the full faith and credit of the City is pledged to maintain the debt service reserve account balance for the additional bonds as required by Section 2-130 of the Code. It is hereby determined that all of the foregoing conditions will be met as of the date of issuance of the Bonds and, therefore, the Bonds presently authorized will and shall be entitled to the equal and proportionate benefit and security of the pledge of the revenue and income derived and to be derived from the operation of the Utility, on a parity with said Outstanding Bonds without preference.

The City will undertake improvements to the Utility, including replacing storm sewer, sanitary sewer lines, waterlines and streets with new utilities for the relocation and construction of all flood protection structures and storm water pump station (the “Project”). Pursuant to the requirements of the Code, the City has published notice of the proposed Project, has allowed for the filing of written protests and hereby finds the protests insufficient to bar the Project. The City hereby finds it to be necessary and desirable to provide permanent financing for the Project by the issuance of its Sales Tax and Water and Sewer Utility Reserve Revenue Bond, Series 2018B, in the principal amount of \$12,282,000 (the “Bonds”).

1.03. Sale. The City, in response to its application for financial assistance from the State Department of Health, has received an offer from the Industrial Commission of North Dakota-North Dakota Public Finance Authority to purchase the Bonds at a price equal to the principal amount plus accrued interest, if any, to the date of purchase, which offer is more fully set out in a loan agreement (the “Loan Agreement”) to be entered into between the City and the North Dakota Public Finance Authority (the “PFA”), a copy of which has been made available to members of the City Council for review. It is hereby found and determined that the offer of the PFA to purchase the Bonds is reasonable and advantageous to the City and is hereby accepted, and the Loan Agreement, in substantially the form presented to the City at this meeting, is hereby accepted and authorized to be executed on behalf of the City by the Mayor and the City Clerk, with such modifications as may be approved by said officers. The Mayor and the City Clerk are authorized and directed to execute the Loan Agreement and to deliver it to the PFA, which execution and delivery shall be conclusive evidence of the approval of any modifications with respect to the Loan Agreement.

1.04. Performance Requirements. Pursuant to Ordinance No. 659 of the City, the City has established on its books a “Water and Sewer Utility Fund” and has provided for the allocation of revenues of the Utility to accounts for operation and maintenance, replacement and depreciation and surplus, provided that the City has reserved the right in Ordinance No. 659 to establish separate and additional accounts within the Water and Sewer Utility Fund for the purpose of segregating and applying revenues to the payment of bonds issued to finance improvements to the Utility. If so established, such accounts shall be credited with such portions of the revenues of the Utility as may be contracted under the terms of the resolutions authorizing the issuance of bonds, such credits to be made after crediting the operation and maintenance account to the extent required by Ordinance No. 659, but before crediting any amounts to the accounts for replacement and depreciation and surplus. For the purpose of providing for the payment of the Bonds herein authorized, the City does hereby covenant and agree that from and after the completion and acceptance of the Project, it will operate the same as a part of the Utility, and will at all times continue to impose, maintain and collect rates, charges and rentals for the services, facilities and benefits provided by the Utility (including all additions and betterments thereof) to its inhabitants and industries and all others, such as will make the revenues of the Utility sufficient, together with any other funds appropriated to the Water and Sewer Utility Fund or an account within in, to meet all of the requirements of the Water and Sewer Utility Fund as outlined in Ordinance No. 659, including the payment of all current, reasonable and necessary costs of operation and maintenance, and the maintenance of a reasonable reserve for contingencies, and the production of revenues, in excess of the foregoing requirements (“net revenues”) at least sufficient for the payment of principal and interest currently due, and the maintenance of any required debt service reserve accounts, with respect to all bonds payable from accounts established within said Fund, including

the Bonds herein authorized, and to provide an additional depreciation allowance as stated in Ordinance No. 659.

Section 2. Form. The Bonds shall initially be issued to the PFA in the form of a single registered Bond with annual installments of principal in substantially the form attached as Exhibit A hereto. At the request of the PFA, the City will deliver, in exchange for the Bonds initially issued, registered Bonds in the same aggregate outstanding principal amount, bearing interest at the same rate, in denomination of \$5,000 or any integral multiple thereof, not exceeding the amount of principal payable on any single principal payment date.

Section 3. Bond Terms; Registration; Redemption.

3.01. Date, Maturities, Denomination and Payment. For the purposes specified in Section 1, the City authorizes the issuance of the Bonds in the aggregate principal amount of \$12,282,000, dated, as originally issued, as of the date of issuance thereof. The Bonds shall be issued as a single registered bond in the amount of \$12,282,000 or in denominations of \$5,000 or any integral multiple thereof, and shall be payable in annual installments of principal on September 1 in the years and amounts set forth below, as follows, subject to adjustment or re-amortization in accordance with the provisions of the Loan Agreement:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2020	\$477,000	2031	\$590,000
2021	485,000	2032	605,000
2022	495,000	2033	615,000
2023	505,000	2034	630,000
2024	515,000	2035	640,000
2025	525,000	2036	655,000
2026	535,000	2037	665,000
2027	545,000	2038	680,000
2028	560,000	2039	695,000
2029	570,000	2040	715,000
2030	580,000		

The principal balance of the Bonds shall bear interest, from its date of issue until paid or duly called for redemption, at the rate of 1.50% per annum.

3.02. Interest Payment Dates. Interest on the Bonds shall be payable on March 1 and September 1 to the owner of record thereof at the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

3.03. Redemption. The Bonds shall be subject to redemption, in whole or in part, and if in part in principal amounts which are integral multiples of \$5,000, prior to their stated maturity, with the written consent of the PFA, at a price equal to the principal amount thereof plus accrued interest to the date of redemption.

3.04. Registration. The City shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent (the Registrar). The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new Bond similar in form to the Bonds initially issued, of a like aggregate principal amount, as requested by the transferor.

(c) Exchange of Bonds. Whenever any Bonds are surrendered for exchange the Registrar shall authenticate and deliver the Bonds which the owner making the exchange is entitled to receive.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(g) Taxes Fees and Charges. For every transfer or exchange of Bonds, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon

filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

3.05. Appointment of Initial Registrar. The City hereby appoints The Bank of North Dakota, in Bismarck, North Dakota, as the initial Registrar. The City reserves the right to remove the Registrar upon thirty (30) days notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar and shall deliver the bond register to the successor Registrar. So long as the Bonds are registered in the name of the PFA, the City shall obtain the prior written approval of the PFA to the removal of the Registrar and appointment of a successor. The City shall pay the reasonable and customary charges of the Registrar from the Operation and Maintenance Account of its Fund.

3.06. Execution, Authentication and Delivery. The Bonds shall be prepared under the direction of the City Clerk and shall be executed on behalf of the City by the signatures of the Mayor and the City Clerk, provided that all signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security hereunder until the certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution.

Section 4. Water and Sewer Utility Fund.

4.01. Water and Sewer Utility Fund. Pursuant to Ordinance No. 659 of the City, the City Auditor has established and will maintain the Water and Sewer Utility Fund (the "Fund") as a separate and special fund in the financial records of the City until all bonds issued and made payable therefrom, and interest and redemption premiums due thereon, have been duly paid or discharged. Within the Fund are various separate accounts to be maintained by the City.

4.02. Operation and Maintenance Account. To the Operation and Maintenance Account there shall be credited upon each monthly apportionment, as a first lien and charge on the gross revenues, such sum as shall be needed, over and above any credit balance then held in the Operation and Maintenance Account, to pay all claims then due and allowed which by accepted accounting practices constitute normal, reasonable and current expenses of the operation and maintenance of the Utility, and to pay all such expenses estimated to accrue for a period of one month thereafter, and to maintain a reasonable reserve for contingencies. Money in the Operation and Maintenance Account shall be used only to pay expenses of this type, and not for major repairs, replacements or capital improvements which are properly chargeable to replacement and

depreciation reserves or surplus funds. The net revenues of the Utility, which are herein pledged and appropriated to the extent required for the payment of the Bonds herein authorized and interest thereon, are hereby defined as the aggregate of all sums on hand in the Fund from time to time in excess of the current requirements of the Operation and Maintenance Account as described herein.

4.03 Construction Account. A Construction Account has been established within the Fund, which shall be used only to pay, as incurred and allowed, costs which under accepted accounting practices are capital costs of the Project, including, but not limited to, payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of necessary lands and easements, interest accruing on the Bonds during the period of construction of the Project and for six months thereafter, if and to the extent that the Reserve Revenue Bond Account is not sufficient for payment of such interest, reimbursement of any advances made from other City funds, and all other expenses incurred in connection with the construction and financing of the Project. To the Construction Account there shall be credited all proceeds of the Bonds, except accrued interest, if any, which shall be credited to the Reserve Revenue Bond Account and the sums, if any, appropriated to the Reserve Revenue Bond Reserve Account referred to in Section 4.05, and all other funds appropriated by the City for the purposes referred to in this paragraph, when needed for such purposes, and all income received from the investment of the Construction Account.

4.04. Reserve Revenue Bond Account. A Reserve Revenue Bond Account has been established within the Fund, to which there shall be set aside and credited an amount equal to not less than the sum of one-sixth of the interest due within the next six months plus one-twelfth of the principal to become due within the next twelve months with respect to all reserve revenue bonds heretofore or herein issued or issued in the future and made payable from the Reserve Revenue Bond Account, which amounts, with respect to the Bonds, are to be derived from the net revenues of the Utility at each monthly apportionment, to the extent not already on deposit and paid from other sources described herein. This requirement is cumulative, and if the net revenues are not sufficient to credit the sum required in any month, an amount equal to the deficiency shall be transferred from the Reserve Revenue Bond Reserve Account, Replacement and Depreciation Accounts or Surplus Account of the Fund, or shall be credited from the next net revenues thereafter received in excess of current requirements. Money from time to time held in the Reserve Revenue Bond Account shall be disbursed only to meet payments of principal, premium, if any, and interest due on obligations issued and made payable from the Reserve Revenue Bond Account.

Pursuant to Section 2-130 of the Code and notwithstanding anything else contained herein to the contrary, the City hereby pledges, to payment of the Bonds, revenues derived from the sales tax imposed pursuant to Sections 28.5-103 and 28.5-104 of the Code and available for flood control projects, including the Project, pursuant to Section 28.5-108(1) of the Code (the "Sales Tax Revenues") an amount sufficient to pay interest and principal due on the Bonds. Such amount of Sales Tax Revenues shall be deposited in the Reserve Revenue Bond Account prior to each payment date for the Bonds and may be used to abate the net revenues of the Utility otherwise pledged to payment of debt service on the Bonds.

4.05. Reserve Revenue Bond Reserve Account. A Reserve Revenue Bond Reserve Account has been established within the Fund. Upon the issuance of any series of definitive reserve revenue bonds, the balance in the Reserve Revenue Bond Reserve Account shall be

increased, if necessary, either from the proceeds of such bonds or from funds on hand and available for the purpose, to an amount equal to the lesser of (i) maximum annual debt service on, (ii) 125% of the average annual debt service on, or (iii) ten percent of the proceeds of, the Bonds. Funds will be transferred from the Reserve Revenue Bond Reserve Account to the Reserve Revenue Bond Account at any time the balance on hand in the Reserve Revenue Bond Account is insufficient to meet current requirements for payment of principal and interest on the Bonds payable therefrom. In the event of such transfer, and if the then-existing deficiency in the Reserve Revenue Bond Reserve Account cannot be restored from available funds in the Replacement and Depreciation Accounts or Surplus Account of the Fund, the City shall levy a tax upon all taxable property within the corporate limits of the City sufficient to restore the balance in the Reserve Revenue Bond Reserve Account to the amount required pursuant to Section 2-130 of the Code, which tax shall be subject to no limitation as to rate or amount. In the event a tax is levied for such purpose, the amount of such tax shall be reimbursed to the general fund of the City out of the first available revenues in the Replacement and Depreciation Accounts or Surplus Account of the Fund.

4.06. Replacement and Depreciation Accounts. Accounts for replacement and depreciation (collectively, the “Replacement and Depreciation Accounts”) have been established within the Fund. To the Replacement and Depreciation Accounts there shall be credited from the net revenues remaining after allocations to the Operation and Maintenance Account, the Reserve Revenue Bond Account and the Reserve Revenue Bond Reserve Account such sum as shall be needed, over and above any credit balances then held in the Replacement and Depreciation Accounts, to pay such disbursements as may from time to time be found necessary or desirable for replacement of worn-out or obsolete Utility property or for extensions, enlargements or improvements of the Utility which are not directed by the City Council to be financed by special assessments or the issuance of water and sewer utility reserve revenue bonds.

4.07. Surplus Account. To the Surplus Account shall be credited all net revenues from time to time received in excess of the current requirements of the Replacement and Depreciation Accounts, Reserve Revenue Bond Account and the Reserve Revenue Bond Reserve Account; except that in the event of the future pledge and appropriation of surplus net revenues for the payment and security of additional obligations subordinate to the pledge and appropriation of net revenues to the Reserve Revenue Bond Account and the Reserve Revenue Bond Reserve Account, the City reserves the right to create one or more additional accounts within the Fund for the segregation of surplus net revenues available for the payment of any such obligations. The balance on hand from time to time in the Surplus Account shall be available and shall be used to the full extent necessary to restore any deficiency in the Operation and Maintenance Account, the Reserve Revenue Bond Account and the Reserve Revenue Bond Reserve Account, but when not so needed, may be used to pay for replacements, repairs or capital improvements of the Utility, or to pay principal and interest on subordinate obligations hereafter issued for such purposes, or to redeem and pay before maturity bonds payable from the Reserve Revenue Bond Account, when and as such bonds become redeemable according to their terms, or for any other proper purpose of the City authorized in accordance with resolutions of the City Council.

4.08. Costs of Issuance Account. A Costs of Issuance Account (the “Costs of Issuance Account”) has been created within the Fund. The proceeds of the Bonds, if any, deposited in the Costs of Issuance Account shall be used only to pay costs of issuance of the Bonds. There shall

be credited to the Costs of Issuance Account, from the proceeds of the Bonds, an amount equal to the estimated costs of issuance to be paid therefrom.

Section 5. Priorities and Additional Bonds.

5.01. Priorities. Each and all of the Bonds issued pursuant to this resolution shall be equally and ratably secured by and payable from the net revenues of the Utility on a parity with the Outstanding Bonds described in Section 1.02 without preference or priority of any one bond of any issue over any other, provided that if at any time the net revenues or other funds pledged thereto, including the Sales Tax Revenues, as applicable, are insufficient to pay principal and interest then due on all such bonds payable from said net revenues, the net revenues available therefore shall be first used to pay the interest accrued on all such bonds which are then outstanding, and the balance shall be applied toward payment of the maturing principal of such bonds in order of their maturities, the earliest maturing bonds to be paid first, and pro rata in payment of bonds maturing on the same date.

5.02. Refunding Bonds. The City reserves the right and privilege of refunding any or all of the Bonds herein authorized, subject to the following terms and conditions:

Any matured Bonds, or principal installment thereof, may be refunded if money available for the payment thereof at maturity or on a principal installment date should at any time be insufficient to make such payment in full, and may be made payable from the Reserve Revenue Bond Account on a parity as to interest with all then outstanding bonds issued hereunder, provided that (1) the maturity of each such Bond shall be subsequent to the last maturity or principal installment of any then outstanding bonds issued hereunder which are not refunded, and (2) no Bondholder shall be required to accept a refunding Bond in exchange for any Bond owned.

5.03. Additional Reserve Revenue Bonds. The City reserves the right to issue additional Reserve Revenue Bonds pursuant to Section 2-130 of the Code for the purpose of (i) paying any additional cost of completing the Project in excess of the cost now estimated, (ii) refunding Bonds payable from the Fund under circumstances other than those contemplated in Section 5.02, or (iii) paying the cost of additional improvements to the Utility, which additional revenue bonds shall be payable on a parity with the Bonds now authorized as to the net revenues of the Utility, provided that the test set forth in Section 1.02 is met and, subsequent to said date: (a) no default exists under the terms of this resolution, or the terms of any other resolution authorizing the issuance of bonds payable from the net revenues of the Utility; (b) the resolution authorizing the issuance of such bonds contains the covenant as to rates and charges required by Section 2-130 of the Code and provides for the funding of the debt service reserve account required by Section 2-130 of the Code; (c) the City Council reasonably determines that the rates and charges then in effect, or to be in effect prior to the issuance of said additional bonds, together with any other revenues, including sales tax collections, then or theretofore pledged to the payment of such bonds or additional bonds, will produce net revenues of the Utility sufficient to comply with the provisions of Section 2-130 of the Code and the resolution authorizing the issuance of said additional bonds; and (d) the full faith and credit of the City is pledged to maintain the debt service reserve account balance for the additional bonds as required by Section 2-130 of the Code.

Nothing in this resolution shall preclude the City from issuing additional bonds which are expressly made a charge on only the surplus net revenues of the Utility as set forth in Ordinance No. 659, subordinate to the pledge of net revenues to the Bonds described in Section 1.02 and the Bonds authorized hereunder. The City may pledge the Sales Tax Revenues to other obligations, provided that such pledge does not cause the City to fail to comply with the covenants contained in Section 7 hereof.

Section 6. Defeasance. When the Bonds have been discharged as provided in this section, all pledges, covenants and other rights granted by this resolution shall cease. The City may discharge its obligations with respect to the Bonds on any date by depositing with the paying agent on or before that date a sum sufficient for the payment thereof in full; or, if the Bonds should not be paid when due, the same may nevertheless be discharged by depositing with the paying agent a sum sufficient for the payment thereof in full with interest accrued from the due date of such deposit. The City may also discharge its obligations with respect to the Bonds according to its terms by depositing with the paying agent on or before that date an amount equal to the principal and interest which are then due, provided that notice of such redemption has been duly given as provided herein. The City may also discharge its obligations with respect to the Bonds by irrevocably depositing in escrow with a bank or trust company qualified by law to act as an escrow agent, for the purpose of paying all principal and interest due on the Bonds prior to a date upon which all of the same will be prepayable according to their terms and paying all remaining bonds of the series on that date, a sum of cash and securities of the types authorized by North Dakota law, in such aggregate amount, bearing interest at such rates and maturing or callable at the holder's option on such dates as shall be required to provide funds sufficient for this purpose.

Section 7. Covenants. The City hereby covenants and agrees with the PFA and registered owners from time to time of the Bonds that from and after the completion of the Project, it will operate the same as a part of the Utility, and will at all times continue to impose, maintain and collect rates, charges and rentals for the services, facilities and benefits provided by the Utility (including all additions and betterments thereof) to its inhabitants and industries and all others, such as will make the revenues of the Utility sufficient to meet all of the requirements of the Fund as outlined in Ordinance No. 659, including the payment of all current, reasonable and necessary costs of operation and maintenance, and the maintenance of a reasonable reserve for contingencies, and the production of net revenues, in excess of the foregoing requirements, at least equal to 120% of principal and interest currently due, and the maintenance of any reserves required, with respect to all bonds payable therefrom, including the Bonds, provided that in the event other funds are pledged to a series of reserve revenue bonds, such funds may be accounted for in establishing rates sufficient to provide such coverage. The City will at all times keep the Utility and the various parts thereof insured against loss or damage by causes customarily insured against for like properties, and in amounts customarily maintained by prudent owners of like properties, and will use the proceeds of any and all such insurance to repair or restore the damage compensated thereby, or to pay and retire outstanding bonds payable from the net revenues of the Utility. The City will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the Utility, the monthly revenues derived from its operation, and the segregation and application of the revenues in accordance with this resolution and the Ordinance No. 659, in such reasonable detail as may be determined by the City in accordance with generally accepted accounting practices and principles.

The City will not mortgage, lease, sell, or otherwise dispose of any real or personal properties of the Utility, unless:

- (a) Prior to or simultaneous with such mortgage, lease, sale or other disposition, the Bonds shall be discharged as provided in Section 6; or
- (b) The properties to be mortgaged, leased, sold or otherwise disposed of are unserviceable, inadequate, obsolete or no longer required for use in connection with the Utility; or
- (c) The mortgage, lease, sale or other disposition will not prevent the City from complying with the provisions of this resolution and the PFA has given its consent thereto; or
- (d) In any event referred to in clause (b) or (c), all proceeds of the mortgage, lease, sale or other disposition of such properties are deposited into the Fund.

In the event of a default in the payment of any Bond, the registered owner thereof shall have all rights, remedies, powers and privileges granted by law for the enforcement of the registered owner's rights and the collection of the Bonds, including all rights and remedies of registered owners of revenue bonds under the provisions of Chapter 40-35, North Dakota Century Code, as amended. The City represents and covenants that the City is or will be the owner of all facilities financed by the Bonds.

Section 8. Tax Covenants and Arbitrage Matters.

8.01. Arbitrage Certification. The Mayor and the City Clerk being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the PFA a certificate in accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and applicable Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of the Code and Regulations.

8.02. Rebate. The City acknowledges that the Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, unless the Bonds qualify for the exception from the rebate requirement under Section 148(f)(4)(C) of the Code and no "gross proceeds" of the Bonds (other than amounts constituting a "bona fide debt service fund") arise during or after the expenditure of the original proceeds thereof. In furtherance of the foregoing, the City Clerk is hereby authorized and directed to execute a Rebate Certificate, in the form prescribed by Bond Counsel, and the City hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

8.03. Reimbursement. The City certifies that the proceeds of the Bonds will not be used by the City to reimburse itself for any expenditure with respect to the Project which the City paid or will have paid prior to the issuance of the Bonds unless, with respect to such prior expenditures, the City shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Project meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Project as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Bonds.

8.04. Not Qualified Tax-Exempt Obligations. The Bonds are not designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions.

Section 9. Authentication of Transcript. The officers of the City are hereby authorized and directed to prepare and furnish to the PFA and to Dorsey & Whitney LLP, Bond Counsel, certified copies of all proceedings and records relating to the Bonds and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of the Bonds, as the same appear from the books and records in their custody and control or as otherwise known to them, and all such certified copies, affidavits and certificates, including any heretofore furnished, shall be deemed representations of the City as to the correctness of all statements contained therein.

Adopted this 7th day of May, 2018.

Mayor

Attest: _____
City Clerk

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF NORTH DAKOTA
COUNTY OF WARD

CITY OF MINOT

SALES TAX AND WATER AND SEWER UTILITY RESERVE REVENUE BOND,
SERIES 2018B

No. R-1 \$12,282,000

<u>Rate</u>	<u>Final Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
1.50%	September 1, 2040	[May __], 2018	NONE

REGISTERED OWNER: NORTH DAKOTA PUBLIC FINANCE AUTHORITY

PRINCIPAL AMOUNT: TWELVE MILLION TWO HUNDRED EIGHTY-TWO THOUSAND DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the City of Minot, North Dakota, acknowledges itself specially indebted and for value received hereby promises to pay to the registered owner designated above, or registered assigns, solely out of its Water and Sewer Utility Bond Fund (the "Fund"), the principal sum specified above, in installments in the amounts and on the dates set forth on Schedule B hereto, with interest on the outstanding principal balance from the date hereof at the annual rate of one and one half percent (1.50%) per annum, payable on March 1 and September 1 in each year, commencing September 1, 2018, to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. Payments shall be made by check or draft, or other agreed means of payment, by The Bank of North Dakota, in Bismarck, North Dakota, as Bond Registrar and Paying Agent, or its successor designated under the Resolution described herein. Upon each disbursement of loan amounts to the Borrower pursuant to the Loan Agreement described below, the North Dakota Public Finance Authority (the "PFA") shall enter (or cause to be entered) the amount advanced on Schedule A under "Advances" and the total amount advanced under the Loan Agreement, including such disbursement under "Total Amount Advanced." In the event that the Total Amount Advanced is less than the principal amount of this Bond, the PFA shall prepare a revised Schedule B, or cause a revised Schedule B to be prepared, as provided in the Loan Agreement described below.

This Bond is issued pursuant to a resolution adopted by the City Council on May 7, 2018 (the "Resolution"), for the purpose of financing improvements to the City's Water and Sewer Utility (the "Utility"), pursuant to and in full conformity with the Constitution and laws of the State of North Dakota and the charter and ordinances of the City of Minot thereunto enabling, including Title 40, Chapter 35, North Dakota Century Code, as amended, Sections 2-130, and

28.5-101 through 28.5-108 of the City of Minot Code of Ordinances (the “Code”) and Ordinance No. 659 of the City. Reference is made to the Resolution for a description of the nature and extent of the security for the Bonds, the rights thereunder of the City and the bondholders and the terms upon which the Bonds and any additional bond maybe issued and secured. This Bond, including interest, is payable from the net revenues of the Utility and Sales Tax Revenues pledged to the payment hereof, as described in the Resolution.

Bonds of this series are issued in evidence of a loan made to the City pursuant to the terms of Loan Agreement, dated on or about June 1, 2018, between the City and the PFA, and reference is made to the terms of said Loan Agreement for further provisions relating to the terms upon which the Bonds are issued and secured.

This Bond is subject to prepayment and redemption prior to its stated maturity date on any date, with the written consent of the PFA, and reamortization of installments in the event of partial prepayment.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the office of the Bond Registrar, by the registered owner hereof in person or by the owner’s attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or the owner’s attorney, and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and payable as to principal and interest on the same date or dates, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

The City and any Bond Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor any Bond Registrar shall be affected by any notice to the contrary.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Bond Registrar by manual signature of one of its authorized representatives.

IT IS CERTIFIED, RECITED, COVENANTED AND AGREED that under the law, ordinances and Resolution referred to above, the City has duly created said Reserve Revenue Bond Account (the “Bond Account”) in its Fund and has appropriated thereto an amount of net revenues from its Fund which, together with other funds pledged hereto, are sufficient to pay all principal of, premium, if any, and interest on this Bond as such becomes due; that rates will be charged for the use and service of the Utility sufficient at all times to produce net revenues which, together with other revenues pledged thereto, will produce the amounts necessary to pay all bonds payable from the Fund, including the Bonds; that a Reserve Revenue Bond Reserve Account (the “Reserve Account”), has been created in the Fund in an amount equal to the lesser of maximum annual debt service on, 125% of the average annual debt service on, or 10% of the proceeds of the Bonds, and, in the event that there shall be at any time a deficiency in the Reserve Account, the City is required

by Section 2-130 of the Code to levy a tax upon all taxable property in the City for restoration of such deficiency, which deficiency levy is not subject to any limitation as to rate or amount; and that all acts, conditions and things required by the Constitution and laws of the State of North Dakota and the City Charter to be done precedent to and in the issuance of this Bond, in order to make it a valid and binding special obligation of the City in accordance with its terms, have been done, have happened and have been performed in regular and due time, form and manner as so required.

IN WITNESS WHEREOF, the City of Minot, North Dakota, by its City Council, has caused this Bond to be executed on its behalf by the signatures of the Mayor and the City Clerk.

CITY OF MINOT, NORTH DAKOTA

(Facsimile Signature – City Clerk)

(Facsimile Signature – Mayor)

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned within.

Date of Authentication: _____

THE BANK OF NORTH DAKOTA,
Bismarck, North Dakota, as Bond Registrar

By _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____, the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

Signature Guaranteed:

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other “signature guaranty program” as may be determined by the Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE A
TOTAL AMOUNT ADVANCED

<u>Year</u>	<u>Amount Advanced</u>	<u>Cumulative Amount Advanced</u>	<u>Year</u>	<u>Amount Advanced</u>	<u>Cumulative Amount Advanced</u>
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SCHEDULE B
TOTAL LOAN PAYMENT

Date	Principal	Interest	Total Principal & Interest	Annual P & I Payment	Outstanding Balance	Admin. Fee	Total Payment	Debt Service Reserve Funding
9/1/2018	-	45,000.00	45,000.00	45,000.00	12,282,000.00	15,000.00	60,000.00	-
3/1/2019	-	92,115.00	92,115.00	-	12,282,000.00	30,705.00	122,820.00	-
9/1/2019	-	92,115.00	92,115.00	184,230.00	12,282,000.00	30,705.00	122,820.00	-
3/1/2020	-	92,115.00	92,115.00	-	12,282,000.00	30,705.00	122,820.00	-
9/1/2020	477,000.00	92,115.00	569,115.00	661,230.00	11,805,000.00	30,705.00	599,820.00	145,145.00
3/1/2021	-	88,537.50	88,537.50	-	11,805,000.00	29,512.50	118,050.00	-
9/1/2021	485,000.00	88,537.50	573,537.50	662,075.00	11,320,000.00	29,512.50	603,050.00	145,145.00
3/1/2022	-	84,900.00	84,900.00	-	11,320,000.00	28,300.00	113,200.00	-
9/1/2022	495,000.00	84,900.00	579,900.00	664,800.00	10,825,000.00	28,300.00	608,200.00	145,145.00
3/1/2023	-	81,187.50	81,187.50	-	10,825,000.00	27,062.50	108,250.00	-
9/1/2023	505,000.00	81,187.50	586,187.50	667,375.00	10,320,000.00	27,062.50	613,250.00	145,145.00
3/1/2024	-	77,400.00	77,400.00	-	10,320,000.00	25,800.00	103,200.00	-
9/1/2024	515,000.00	77,400.00	592,400.00	669,800.00	9,805,000.00	25,800.00	618,200.00	145,145.00
3/1/2025	-	73,537.50	73,537.50	-	9,805,000.00	24,512.50	98,050.00	-
9/1/2025	525,000.00	73,537.50	598,537.50	672,075.00	9,280,000.00	24,512.50	623,050.00	-
3/1/2026	-	69,600.00	69,600.00	-	9,280,000.00	23,200.00	92,800.00	-
9/1/2026	535,000.00	69,600.00	604,600.00	674,200.00	8,745,000.00	23,200.00	627,800.00	-
3/1/2027	-	65,587.50	65,587.50	-	8,745,000.00	21,862.50	87,450.00	-
9/1/2027	545,000.00	65,587.50	610,587.50	676,175.00	8,200,000.00	21,862.50	632,450.00	-
3/1/2028	-	61,500.00	61,500.00	-	8,200,000.00	20,500.00	82,000.00	-
9/1/2028	560,000.00	61,500.00	621,500.00	683,000.00	7,640,000.00	20,500.00	642,000.00	-
3/1/2029	-	57,300.00	57,300.00	-	7,640,000.00	19,100.00	76,400.00	-
9/1/2029	570,000.00	57,300.00	627,300.00	684,600.00	7,070,000.00	19,100.00	646,400.00	-
3/1/2030	-	53,025.00	53,025.00	-	7,070,000.00	17,675.00	70,700.00	-
9/1/2030	580,000.00	53,025.00	633,025.00	686,050.00	6,490,000.00	17,675.00	650,700.00	-
3/1/2031	-	48,675.00	48,675.00	-	6,490,000.00	16,225.00	64,900.00	-
9/1/2031	590,000.00	48,675.00	638,675.00	687,350.00	5,900,000.00	16,225.00	654,900.00	-
3/1/2032	-	44,250.00	44,250.00	-	5,900,000.00	14,750.00	59,000.00	-
9/1/2032	605,000.00	44,250.00	649,250.00	693,500.00	5,295,000.00	14,750.00	664,000.00	-
3/1/2033	-	39,712.50	39,712.50	-	5,295,000.00	13,237.50	52,950.00	-
9/1/2033	615,000.00	39,712.50	654,712.50	694,425.00	4,680,000.00	13,237.50	667,950.00	-
3/1/2034	-	35,100.00	35,100.00	-	4,680,000.00	11,700.00	46,800.00	-
9/1/2034	630,000.00	35,100.00	665,100.00	700,200.00	4,050,000.00	11,700.00	676,800.00	-
3/1/2035	-	30,375.00	30,375.00	-	4,050,000.00	10,125.00	40,500.00	-
9/1/2035	640,000.00	30,375.00	670,375.00	700,750.00	3,410,000.00	10,125.00	680,500.00	-
3/1/2036	-	25,575.00	25,575.00	-	3,410,000.00	8,525.00	34,100.00	-
9/1/2036	655,000.00	25,575.00	680,575.00	705,150.00	2,755,000.00	8,525.00	689,100.00	-
3/1/2037	-	20,662.50	20,662.50	-	2,755,000.00	6,887.50	27,550.00	-
9/1/2037	665,000.00	20,662.50	685,662.50	705,325.00	2,090,000.00	6,887.50	692,550.00	-
3/1/2038	-	15,675.00	15,675.00	-	2,090,000.00	5,225.00	20,900.00	-
9/1/2038	680,000.00	15,675.00	695,675.00	711,350.00	1,410,000.00	5,225.00	700,900.00	-
3/1/2039	-	10,575.00	10,575.00	-	1,410,000.00	3,525.00	14,100.00	-
9/1/2039	695,000.00	10,575.00	705,575.00	716,150.00	715,000.00	3,525.00	709,100.00	-
3/1/2040	-	5,362.50	5,362.50	-	715,000.00	1,787.50	7,150.00	-
9/1/2040	715,000.00	5,362.50	720,362.50	725,725.00	-	1,787.50	722,150.00	-
Total	\$ 12,282,000.00	\$ 2,390,535.00	\$ 14,672,535.00	\$ 14,672,535.00		\$ 796,845.00	\$ 15,469,380.00	\$ 725,725.00

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